Revenue Impact Methodology: Senate Property Tax Relief Plan

Additional $25,000 Homestead Exemption

The Department of Revenue evaluated the 2007 preliminary tax rolls submitted by the counties. Each of Florida's 4.5 million homestead parcels was examined to determine whether and to what degree the additional homestead exemption would impact total taxable value within the county and statewide. Based on homestead counts and assessed values within specific ranges, county specific impacts were developed for the period from 2008 to 2012. Statewide weighted average non-school millage rates were applied to the statewide change in taxable value in order to obtain an initial estimate. In addition, tentative 2007 non-school millage rates within each county were applied to the change in value within that county. In 2008, the statewide approach resulted in an estimated reduction of $874 m. The results from the county-specific approach produced an estimated reduction of $892 m. The latter approach was felt to be more accurate because it matched prevailing millage rates with county specific estimates of the tax base reduction, and the county specific approach was used in all four years. Additionally, the number of homesteads within each county were adjusted to reflect county population growth as estimated by the Demographic Estimating Conference.

> *Note: The Florida House published estimates for the identical $25,000 homestead exemption on October 15, 2007. The House estimates differ from those of the Senate by a small amount, approximately the difference between the estimates obtained from a statewide aggregate approach and from a county specific methodology.*

Save Our Homes Portability

A representative, statistically valid, random sample of homesteaded properties was taken from the preliminary 2007 tax rolls, projected into future periods with appreciation, parcel growth and new construction. The sample was structured to allow parcel turnover and subsequent re-establishment of new homesteads in Florida. These parameters were based on extensive examination of previous Florida activity, review of the literature and also drew on research performed by UF and FSU specifically to assist with an analysis of portability. The simulated turnover and establishment of new homesteads reveal the extent to which Save Our Homes differentials would be transferred to new homesteads under a portability proposal. The methodology and the estimates reflect the current distribution of Save Our Homes and expected turnover patterns. The results of the sample analysis were then generalized to the homestead tax roll as a whole.

The Senate proposal established a maximum amount to be ported of $500,000. Based on the distribution of current SOH differentials, the $500,000 cap was estimated to affect 1.4% of the total number of homesteads and to reduce the annual and cumulative impact of portability by approximately 6%. Without the $500,000 cap, the estimated base reduction from portability was approximately $118 billion, the same tax base impact underlying the House estimates published on October 15, 2007. It should also be noted that the UF and FSU researchers estimates for 2012 ranged from -$126 billion to -$164 billion. The Senate's smaller fiscal impact may reflect a worsening of the housing market since their analysis was completed. Further, the Senate proposal applies to all property taxes, not just non-school taxes.

Tangible Personal Property $25,000 Exemption

All tangible personal property (TPP) accounts on the preliminary 2007 tax rolls were evaluated to estimate how each would be affected by a $25,000. Estimate of future impacts for 2008 and thereafter reflect historic growth rates, approximately 1.5% annually

Non-Homestead Property 10% Assessment Cap

The distribution of non-homestead parcel growth rates was developed based on parcel-level tax roll data from 1998 through 2007. The model reflects a very large sample (almost the entire population) of non-homestead parcels from the 2007 tax roll that was evaluated to determine growth between 2006 and 2007, and the impact of a 5% assessment cap in that year.. The distribution of growth in the tax base above and below 5% provides a baseline for comparisons to other cap thresholds, includiing the 10% cap in the Senate proposal. In any given year the distribution of growth above or below the cap percentage is shifted up or down depending on whether or not the assumed average rate of appreciation is above or below 5%, respectively. Additionally, the distribution of growth around 5% is expanded or compressed as the assumed average appreciation rate increases or decreases. Finally, if a growth cap higher than 5% is assumed, then the portions of the growth distribution that will no longer be affected are removed from the calculations.

In addition to the approach described above, we conducted a historic distribution using matched non-homestead parcels for a 5 year period. The simulations produced estimate impacts arising from various caps, with and without reset on sale. The incremental impacts from higher and lower caps, as well as the impact of a reset were incorporated into the main model described above.